

Message Text

CONFIDENTIAL

PAGE 01 BONN 06658 01 OF 03 261304Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07

PA-04 RSC-01 PRS-01 SP-03 SS-20 TRSE-00 SAJ-01 OMB-01

ACDA-19 MC-02 EB-11 COME-00 ABF-01 EPA-04 CEQ-02

SCI-06 CAB-09 FAA-00 AEC-11 AECE-00 CIEP-02 STR-08

CEA-02 NEA-10 FRB-02 DRC-01 DOTE-00 /177 W

----- 074349

O 261215Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 2039

INFO USMISSION NATO BRUSSELS IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 3 BONN 6658

DEPARTMENT PASS TREASURY AND DEFENSE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: OFFSET

REPEATED BELOW ARE THE ENGLISH VERSIONS OF THE OFFSET
MINUTE AND THE PROTOCOL WHICH WERE SIGNED AT 1700 LOCAL
TIME APRIL 25, 1974 BY AMBASSADOR HILLENBRAND AND
AMBASSADOR HERMES. THE PROTOCOL IS TO BE TREATED AS
CONFIDENTIAL. ENGLISH AND GERMAN LANGUAGE SIGNED
TEXTS ARE BEING POUCHED TO WASHINGTON. INFORMAL
EMBASSY TRANSLATION OF SPECIFIC POINTS MADE BY HERMES
AFTER SIGNING OF THE AGREEMENT FOLLOWS THE TEXTS.

M I N U T E

THE GOVERNMENTS OF THE FEDERAL REPUBLIC OF
GERMANY AND THE UNITED STATES OF AMERICA AGREE AS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 06658 01 OF 03 261304Z

FOLLOWS:

1. MILITARY PROCUREMENT

A) BETWEEN JULY 1, 1973, AND JUNE 30, 1975, THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY WILL MAKE PAYMENTS BASED ON ORDERS FOR PROCUREMENT OF UNITED STATES GOODS AND SERVICES IN THE FIELD OF DEFENSE IN THE AMOUNT OF DM 2,750 MILLION, WHICH THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY WILL TRANSFER DIRECTLY TO SUPPLIERS OF DEFENSE GOODS AND SERVICES IN THE UNITED STATES OR WHICH IT WILL DEPOSIT WITH THE UNITED STATES TREASURY IN ACCOUNT NO. 20X6409.

B) PROCUREMENTS IN THE UNITED STATES OF AMERICA UNDER ARTICLE 1 (A) WILL BE MADE ON THE BASIS OF GERMAN MILITARY REQUIREMENTS AND ECONOMIC ADVANTAGE.

2. INVESTMENTS FOR TROOP FACILITIES

A) BETWEEN JULY 1, 1973, AND JUNE 30, 1975, THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY WILL MAKE AVAILABLE AN AMOUNT OF DM 600 MILLION FOR DELIVERIES AND SERVICES FOR THE MODERNIZATION, CONSTRUCTION AND IMPROVEMENT OF TROOP BARRACKS AND ACCOMMODATIONS OF THE FORCES OF THE UNITED STATES OF AMERICA STATIONED IN THE FEDERAL REPUBLIC OF GERMANY. FOLLOWING THE COMMITMENT OF FUNDS TO COMPLETE THIS PROGRAM, MONIES REMAINING WILL BE ALLOCATED TO ENVIRONMENTAL PROTECTION INSTALLATIONS AND AMMUNITION STORAGE AND OTHER SAFETY PROJECTS. SPECIFIC PROJECTS WILL BE AGREED BETWEEN EXPERTS OF THE TWO SIDES, AND IN THEIR DESIGN AND DEVELOPMENT, GERMAN ENVIRONMENTAL STANDARDS WILL BE OBSERVED. DISBURSEMENT OF THE FUNDS WILL BE MADE IN PORTIONS SUBJECT TO THE PROGRESS OF THE BUILDING PROJECTS, SIMILAR TO EXISTING PROCEDURAL ARRANGEMENTS. AMOUNTS MADE AVAILABLE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 06658 01 OF 03 261304Z

PURSUANT TO THIS PARAGRAPH BUT NOT DISBURSED PRIOR TO JUNE 30, 1975, SHALL REMAIN AVAILABLE FOR MEASURES AS ENVISAGED UNDER THIS PARAGRAPH OF THIS AGREEMENT.

B) STRUCTURES, IMPROVEMENTS, AND OTHER ALTERATIONS INCLUDING BUILT-IN EQUIPMENT FINANCED IN ACCORDANCE WITH ARTICLE 2 (A) OF THIS AGREEMENT

WILL BE TREATED AS PROPERTY OWNED BY THE FEDERAL
REPUBLIC OF GERMANY USED BY THE UNITED STATES
FORCES WITHIN THE FRAMEWORK OF THE NATO STATUS
OF FORCES AGREEMENT AND THE SUPPLEMENTARY
AGREEMENT THERETO WITH RESPECT TO FORCES
STATIONED IN THE FEDERAL REPUBLIC OF GERMANY.

3. REAL ESTATE TAXES AND AIRPORT FEES

A) THE GOVERNMENT OF THE FEDERAL REPUBLIC OF
GERMANY WAIVES ANY REIMBURSEMENTS CLAIMED FROM
THE GOVERNMENT OF THE UNITED STATES OF REAL
ESTATE TAXES THAT ARE PAYABLE BY THE GOVERNMENT
OF THE FEDERAL REPUBLIC OF GERMANY FOR FEDERALLY-
OWNED OR LAENDER-OWNED REAL PROPERTY USED BY THE
UNITED STATES FORCES OR THE CIVILIAN COMPONENT,
THEIR MEMBERS AND DEPENDENTS UP TO JUNE 30,
1975.

B) THE GOVERNMENT OF THE FEDERAL REPUBLIC OF
GERMANY ASSUMES THE PAYMENT OF LANDING FEES
AND UTILIZATION CHARGES FOR THE USE OF GERMAN
CIVILIAN AIRFIELDS BY AIRCRAFT EMPLOYED IN THE
SERVICE OF THE UNITED STATES FORCES UP TO
JUNE 30, 1975.

C) THE PAYMENTS TO BE MADE PURSUANT TO PARAGRAPHS
(A) AND (B) ARE ESTIMATED FOR THE PURPOSES OF
THIS AGREEMENT AT DM 20 MILLION.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 06658 02 OF 03 261313Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07

PA-04 RSC-01 PRS-01 SP-03 SS-20 TRSE-00 SAJ-01 OMB-01

ACDA-19 MC-02 EB-11 COME-00 ABF-01 EPA-04 CEQ-02

SCI-06 CAB-09 FAA-00 AEC-11 AECE-00 CIEP-02 STR-08

CEA-02 NEA-10 FRB-02 DRC-01 DOTE-00 /177 W

----- 074437

O 261215Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 2040

INFO USMISSION NATO BRUSSELS IMMEDIATE

C O N F I D E N T I A L SECTION 02 OF 03 SECTIONS BONN 6658

DEPARTMENT PASS TREASURY AND DEFENSE

4. CIVIL PROCUREMENT

A) BETWEEN JULY 1, 1973, AND JUNE 30, 1975, THE
GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY
WILL MAKE PAYMENTS IN THE AMOUNT OF DM 200
MILLION UNDER AN ARRANGEMENT TO BE AGREED
BETWEEN THE FEDERAL MINISTRY FOR RESEARCH AND
TECHNOLOGY AND THE UNITED STATES ATOMIC ENERGY
COMMISSION ON THE PURCHASE OF URANIUM SEPARATION
WORK AS WELL AS THE PERTINENT NATURAL URANIUM.

B) BETWEEN JULY 1, 1973, AND JUNE 30, 1975, THE
GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY
WILL FURTHERMORE MAKE PAYMENTS IN THE AMOUNT OF
DM 100 MILLION FOR PROJECTS TO BE IMPLEMENTED
WITHIN THE FRAMEWORK OF SCIENTIFIC AND
TECHNOLOGICAL COOPERATION, E.G., IN THE FIELDS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 06658 02 OF 03 261313Z

OF ENERGY, TREATMENT AND REMOVAL OF RADIOACTIVE
WASTES, REACTOR SAFETY RESEARCH, SPACE, ETC.

5. BUNDESBANK CREDITS

ARRANGEMENTS WILL BE CONCLUDED BETWEEN THE UNITED
STATES TREASURY AND THE DEUTSCHE BUNDESBANK UNDER
WHICH THE DEUTSCHE BUNDESBANK, DURING THE PERIOD
FROM JULY 1, 1973, TO JUNE 30, 1975, WILL INVEST
DM 2,250 MILLION IN SPECIAL, SEVEN-YEAR 2 1/2
PERCENT, DOLLAR-DENOMINATED UNITED STATES GOVERNMENT
SECURITIES.

6. DETAILED ARRANGEMENTS

A) IT IS THE INTENT OF THE GOVERNMENT OF THE FEDERAL
REPUBLIC OF GERMANY TO DIVIDE EQUALLY BETWEEN
THE TWO PERIODS JULY 1, 1973 - JUNE 30, 1974,

AND JULY 1, 1974 - JUNE 30, 1975, THE TOTAL
PAYMENTS DUE UNDER THIS AGREEMENT. PAYMENT OF
THE AMOUNTS SPECIFIED IN THIS AGREEMENT SHALL BE
MADE THROUGH THE UTILIZATION OF GERMAN FUNDS NOT
ON DEPOSIT WITH THE UNITED STATES TREASURY AS
OF JUNE 30, 1973.

B) WHERE DETAILED ARRANGEMENTS ARE REQUIRED,
THEY WILL BE MADE AS SOON AS POSSIBLE BY THE
RESPONSIBLE AGENCIES OR MINISTRIES OF THE
FEDERAL REPUBLIC OF GERMANY AND THE UNITED
STATES OF AMERICA.

THE GOVERNMENTS OF THE FEDERAL REPUBLIC OF GERMANY AND
THE UNITED STATES OF AMERICA CONSIDER THAT THIS AGREEMENT
COMPLETES OFFSET ARRANGEMENTS COVERING THE PERIOD FROM
JULY 1, 1973, THROUGH JUNE 30, 1975. PAYMENTS BY THE
GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY TO THE
UNITED STATES UNDER THE PRESENT OFFSET AGREEMENT ARE
BASED ON THE LEVEL OF THE UNITED STATES FORCES IN THE
FEDERAL REPUBLIC OF GERMANY EXISTING AS OF JULY 1, 1973.
IN THE EVENT OF A SUBSTANTIAL CHANGE IN THIS LEVEL, EACH
GOVERNMENT RESERVES THE RIGHT TO PROPOSE CONSULTATIONS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 06658 02 OF 03 261313Z

REGARDING THE EFFECT WHICH SUCH A CHANGE MIGHT HAVE ON
THE OBLIGATIONS LAID DOWN IN THIS AGREEMENT.

BONN, APRIL 25, 1974

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

(SIGNED) MARTIN J. HILLENBRAND

FOR THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY

(SIGNED) PETER HERMES

CONFIDENTIAL

P R O T O C O L

WITH REFERENCE TO THE OFFSET MINUTE FOR THE PERIOD
OF JULY 1, 1973, TO JUNE 30, 1975, BETWEEN THE
GOVERNMENTS OF THE FEDERAL REPUBLIC OF GERMANY AND
THE UNITED STATES OF AMERICA, BOTH GOVERNMENTS
ACKNOWLEDGE THE FOLLOWING:

RE ARTICLE 1:

EXCESS PAYMENTS IN THE AMOUNT OF DM 121 MILLION
REMAIN FROM THE LAST OFFSET AGREEMENT. IT IS
EXPECTED THAT AN AMOUNT OF COMPARABLE MAGNITUDE
WILL REMAIN AT THE END OF THE PERIOD COVERED BY
THIS OFFSET MINUTE.

RE ARTICLE 3:

(A) THE GOVERNMENT OF THE FEDERAL REPUBLIC OF
GERMANY ALSO WAIVES BEYOND JUNE 30, 1975, ANY
REIMBURSEMENT OF REAL ESTATE TAXES REFERRED
TO IN ARTICLE 3 (A) OF THE MINUTE AND EQUALLY
ASSUMES BEYOND JUNE 30, 1975, THE PAYMENT OF
LANDING FEES AND UTILIZATION CHARGES IN
ACCORDANCE WITH ARTICLE 3 (B) OF THE MINUTE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BONN 06658 02 OF 03 261313Z

(B) THE AGREED ARRANGEMENTS DO NOT AFFECT THE
LEGAL POSITION WITH RESPECT TO REAL ESTATE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 06658 03 OF 03 261323Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07

PA-04 RSC-01 PRS-01 SP-03 SS-20 TRSE-00 SAJ-01 OMB-01

ACDA-19 MC-02 EB-11 COME-00 ABF-01 EPA-04 CEQ-02

SCI-06 CAB-09 FAA-00 AEC-11 AECE-00 CIEP-02 STR-08

CEA-02 NEA-10 FRB-02 DRC-01 DOTE-00 /177 W

----- 074525

O 261215Z APR 74

FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 2041
INFO USMISSION NATO BRUSSELS IMMEDIATE

C O N F I D E N T I A L SECTION 03 OF 03 SECTIONS BONN 6658

DEPARTMENT PASS TREASURY AND DEFENSE

TAXES TAKEN BY THE GOVERNMENTS PARTIES TO
THIS MINUTE.

(C) THE REIMBURSEMENT BY THE GOVERNMENT OF THE
UNITED STATES OF REAL ESTATE TAXES THAT ARE
PAYABLE BY THE GOVERNMENT OF THE FEDERAL
REPUBLIC OF GERMANY FOR FEDERALLY-OWNED OR
LAENDER-OWNED FAMILY HOUSING USED BY MEMBERS
OF THE UNITED STATES FORCES OR OF THE
CIVILIAN COMPONENT, AND THEIR DEPENDENTS IS
NOT AFFECTED BY THE ARRANGEMENTS AGREED IN
ARTICLE 3 (A) OF THE MINUTE AND IN PARAGRAPH
(A) ABOVE.

(D) THE PAYMENTS WHICH HAVE ALREADY BEEN MADE BY
THE GOVERNMENT OF THE UNITED STATES ARE NOT
AFFECTED BY THIS MINUTE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 06658 03 OF 03 261323Z

RE ARTICLE 5:

THE DEUTSCHE BUNDESBANK WILL HOLD THESE SECURITIES
TO MATURITY EXCEPT UNDER THE CIRCUMSTANCES
DESCRIBED BELOW. IN THE EVENT THAT THE LIQUID
FOREIGN EXCHANGE RESERVES OF THE DEUTSCHE
BUNDESBANK DECLINE TO A POINT WHICH WOULD OTHER-
WISE REQUIRE THE USE OF CREDIT ARRANGEMENTS, OTHER
THAN SWAPS, FOR PURPOSES OF EXCHANGE MARKET
OPERATIONS, THE DEUTSCHE BUNDESBANK HAS THE RIGHT
TO ASK FOR EARLY REDEMPTION OF ANY OR ALL OF THESE
SECURITIES AT PAR, PROVIDED THAT THE DEUTSCHE
BUNDESBANK HAS FIRST MADE USE OF ALL OF THE SPECIAL
MEDIUM-TERM UNITED STATES TREASURY SECURITIES
PURCHASED IN 1971 AND SUBSEQUENT YEARS (PRESENTLY
AMOUNTING TO \$11 BILLION) AND THAT, USE HAVING
BEEN MADE OF THE ABOVE ASSETS, OTHER SPECIAL
TREASURY SECURITIES RELATING TO OFFSET AGREEMENTS
ISSUED IN PREVIOUS YEARS WILL BE FIRST REDEEMED.
BEFORE EXERCISING SUCH RIGHT, THE DEUTSCHE
BUNDESBANK WILL CONSULT WITH THE UNITED STATES
GOVERNMENT.

IT IS FURTHER AGREED THAT SHOULD EARLY REDEMPTION TAKE PLACE UNDER THE ABOVE CONDITIONS AND SHOULD SUBSEQUENTLY THE RESERVES OF THE DEUTSCHE BUNDESBANK RISE MORE THAN THE EQUIVALENT OF \$3 BILLION FROM THE POINT AT WHICH REDEMPTION WAS MADE, THE DEUTSCHE BUNDESBANK WILL INVEST ANY FURTHER ACCRETION IN RESERVES, UP TO THE AMOUNT OF THE INITIAL INVESTMENT, IN UNITED STATES GOVERNMENT SECURITIES ON THE SAME TERMS AS THOSE REDEEMED FOR A PERIOD EQUIVALENT TO THAT WHICH THE REDEEMED SECURITIES STILL HAD TO RUN AT THE TIME OF THEIR EARLY REDEMPTION. THE SAME REDEMPTION RIGHTS AS ON THE ORIGINAL SECURITIES WOULD APPLY TO THE REINVESTMENT.

RE ARTICLE 6:

AFTER COMPLETION OF ARRANGEMENTS WITH THE UNITED
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 06658 03 OF 03 261323Z

STATES TREASURY, THE DEUTSCHE BUNDESBANK WILL INVEST DM 1,125 MILLION AS SPECIFIED IN ARTICLE 5 BY JUNE 30, 1974. THE PAYMENT ACCORDING TO ARTICLE 4 (A) WILL BE MADE IN JANUARY 1975. THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY WOULD COMPENSATE SHORTFALLS IN INDIVIDUAL ELEMENTS UNDER THE PROVISIONS OF ARTICLE 6 (A) THROUGH PROCUREMENT PAYMENTS PROVIDED FOR IN ARTICLE 1 OF THIS MINUTE. THE EXCESS PAYMENTS UNDER THE LAST OFFSET AGREEMENT WILL NOT BE USED FOR THIS PURPOSE.

BONN, APRIL 25, 1974

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

(SIGNED) MARTIN J. HILLENBRAND

FOR THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY

(SIGNED) PETER HERMES

HERMES STATEMENT: DURING A SHORT TALK AFTER SIGNING OF THE AGREEMENT (AND AFTER THE PRESS HAD LEFT THE ROOM), AMBASSADOR HERMES STRESSED THE FOLLOWING (INFORMAL EMBASSY TRANSLATION): QUOTE. THE CONTRIBUTION OF THE FEDERAL REPUBLIC OF GERMANY TO BURDEN SHARING IN THE NATO CONSISTS OF THE AGREED UPON PAYMENTS IN THE NEW OFFSET AGREEMENT. THE FEDERAL GOVERNMENT IS PREPARED BEYOND THAT, IN THE CONTEXT OF

THE NATO-INFRASTRUCTURE, TO CONTRIBUTE TOWARDS
FINANCIAL RELIEF FOR THE UNITED STATES OF AMERICA, TO
THE EXTENT THAT THE OTHER MEMBER COUNTRIES APPRO-
PRIATELY TAKE PART. IN OTHER RESPECTS, THE FEDERAL
GOVERNMENT CONSIDERS FURTHERMORE THAT A CRUCIAL ASPECT
OF THE SHARING OF THE BURDEN IN THE ALLIANCE IS THAT
THE ENDEAVORS FOR A STRENGTHENING OF THE NATIONAL
DEFENSE EFFORTS WILL BE CONTINUED. END QUOTE.
HILLENBRAND

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TREATY RATIFICATION, ARMED FORCES, OFFSET PAYMENTS, MILITARY AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN06658
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740099-0504
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740412/aaaaakfv.tel
Line Count: 447
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by boyleja>; APPROVED <11 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OFFSET REPEATED BELOW ARE THE ENGLISH VERSIONS OF THE OFFSET
TAGS: EFIN, GE, US, (HERMES), (HILLENBRAND)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005